

BRIMLEY AREA SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required and additional information)
JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

September 8, 2008

Board of Education
Brimley Area Schools
Brimley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Brimley Area Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Brimley Area Schools as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2008 on our consideration of Brimley Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brimley Area School's basic financial statements. The combining and individual nonmajor fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

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**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

During 2007 – 2008 fiscal year, the District continued to present Governmental Accounting Standards Board Statement 34 (GASB 34), Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments. This section of the Brimley Area Schools annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008.

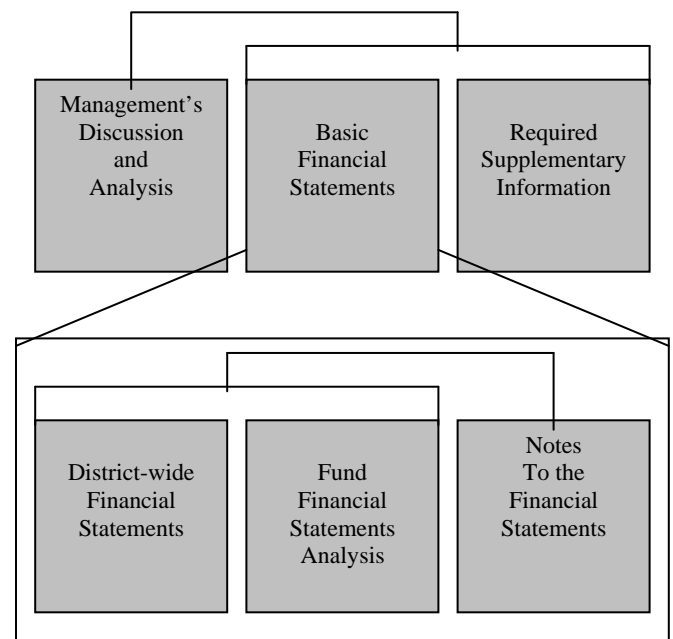
Financial Highlights

- The District's financial status improved this year. Total net assets increased by 58.2% to approximately \$963,000 compared to \$608,000 last year.
- During the year the District's expenses were \$354,185 less than the \$6.03 million in revenues.
- At the end of the current fiscal year, the fund balance in the General Fund was \$650,961 or 13% of the total expenditures.
- The District's tax base increased again this year by 6.20%.
- The District's gained \$50,000 in tax revenue, by having a Headlee override approved by the taxpayers.
- Student enrollment based on a three year average count, decreased by 1.7% to approximately 492 students.
- The General Fund transferred \$21,800 less to the Special Revenue funds than last year.
- The District incurred \$20,000 interest expense due to borrowing \$500,000 to meet cash flow needs.
- During the year the District paid off the remaining balance of \$130,630 to the School Bond Loan Fund.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

**Figure A-1
Required Components of
The District's Annual Financial Report**



- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Detail ↔ **Summary**

**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district's budget for the years. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else's resources such as student activities monies
Required Financial Information	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short- term and long- term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the districts financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

The government-wide financial statements of the District are:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds: not the district as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the District-wide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets were higher on June 30, 2008 than they were the year before, increasing more than 58.2% to approximately \$963,000. Figure A-3 illustrates the valuation of net assets on June 30, 2008 and 2007.

Figure A-3

Condensed Statement of Net Assets

	2008	2007
Assets		
Current	\$ 1,872,511	\$ 1,736,789
Non-current	6,631,503	6,821,406
Total assets	<u>\$ 8,504,014</u>	<u>\$ 8,558,195</u>
Liabilities		
Current	\$ 1,358,043	\$ 1,349,684
Non-Current	6,183,379	6,600,104
Total liabilities	<u>7,541,422</u>	<u>7,949,788</u>
Net Assets		
Invested in capital assets, net of related debt	339,584	184,082
Unrestricted	623,008	424,325
Total net assets	<u>962,592</u>	<u>608,407</u>
Total liabilities and net assets	<u>\$ 8,504,014</u>	<u>\$ 8,558,195</u>

**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Figure A-4

Results of Operations:

	2008	2007
Revenues:		
Property taxes	\$ 1,578,821	\$ 1,426,836
Unrestricted state aid	2,795,080	2,841,495
Other general revenues	84,510	102,728
Charges for services	135,436	103,213
Operating grants and contributions	1,434,608	1,273,290
	<hr/>	<hr/>
Total revenues	6,028,455	5,747,562
	<hr/>	<hr/>
Expenditures:		
Instruction	3,429,226	3,433,054
Pupil and instructional services	47,640	131,013
Administration and business	747,664	797,944
Operation and maintenance	469,345	430,350
Pupil transportation	321,024	322,349
Food service activities	228,369	269,947
Other support services	99,235	102,056
Interest on long-term debt	331,767	318,748
	<hr/>	<hr/>
Total expenditures	5,674,270	5,805,461
	<hr/>	<hr/>
CHANGE IN NET ASSETS	\$ 354,185	\$ (57,899)
	<hr/>	<hr/>

The District's financial position is the product of many factors:

- The State's per pupil funding allowance increased by \$119 this year.
- Enrollment in the District decreased by 9 (three year averaging) compared to 500 students in the prior year.
- Revenues exceeded expenses by \$354,185 due to increases in Impact Aid funding, property tax value increases, and decreases in operating deficits in food and athletics.

Financial Analysis of the District's Funds

As the District completed the year its governmental funds reported combined fund balances of \$831,192 well above last year's ending fund balance of \$681,037. All but three of the District's governmental funds had greater revenues than expenses, thereby, contributing to the increase in total fund balance.

The District's Food Service and Athletic programs were over spent by approximately \$10,600 and \$64,500 respectively. The District's labor costs were lower than last year. This resulted from a savings of approximately \$222,000 by the early retirement of a teacher, reduction of hours by one administrator, and the reduction of retirement rates. The District increased revenues by \$207,000 in Impact Aid funding, and an approximately \$50,000 increase in tax revenue.

**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. The budget amendments were for changes made at the end of the second quarter to account for final enrollment counts and changes made in assumptions since the original budget was adopted. Significant items causing budget adjustments are:

- The State increased the foundation allowance by \$119, which provided additional revenue of \$58,000.
- The District received \$28,000 more due to a prior period adjustment for Special Education.
- The District incurred \$28,000 additional fuel and utility costs.
- Property values increased, increasing revenue by approximately \$16,000.
- The District received \$301,500 additional federal revenue, due to an increase in Impact Aid of \$278,000 and \$22,500 in REAP and Title I funds.
- The District incurred approximately \$22,000 in additional instructional costs due to increases in grant funding.

At the end, actual expenditures were \$4,882,162 compared to \$4,963,181 budgeted, which represents a favorable budget variance of \$80,569.

Actual revenues were \$5,092,218 compared to \$5,038,653 budgeted, which represents an unfavorable budget variance of \$53,565.

Capital Asset and Debt Administration

Capital Assets:

By the end of 2007, the District had invested \$8,761,593 in a broad range of capital assets, including school buildings, athletic facility improvements, software, busses, technology and electronic surveillance equipment.

The amount represents a \$53,000 decrease from last year. During the year the District made some improvements to the heating system for \$5,300, and purchased a mower for \$8,300.

Total depreciation expense for the year exceeded \$203,000.

Long Term Debt:

Total long-term debt at June 30, 2008 was \$6,452,415. The District repaid \$376,530 in principal during the year. During the year, the District paid off its obligation of \$130,630 to the Michigan School Bond Loan Fund.

**BRIMLEY AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Factors Bearing on the District's Future

The following factors have been considered in preparing the budget for the 2008/2009 school year:

- The District continues to face significant increases in rates for health insurance and retirement benefits.
- With the current economic condition in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for 2008- 2009 fiscal year. This will pose a challenge to the District to provide a quality education to our citizens through use of our existing fund equity, which has been declining, except for this year, in which we received an expected amount of Impact Aid funds.
- The District will ask the citizens in November 2008 to pass a Headlee override which will allow the district to collect the full 18 mills; otherwise, the District can only collect 15.5714 mills. This would result in a loss of approximately \$119,000 in tax revenue if the millage is not approved.
- The District will need to continue to borrow funds for cash flow purposes, which will increase operational expenses.
- The contracts with the unions that represent the teaching staff and support staff expire on August 31, 2008.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brimley Area Schools Business Office, 7134 South Highway 221, Brimley, Michigan 49715.

BRIMLEY AREA SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 1,238,533
Receivables:	
Other	21,239
Interest	1,112
Due from other governmental units	609,077
Inventory and prepaid items	<u>2,550</u>
Total current assets	<u>1,872,511</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>6,631,503</u>
Total noncurrent assets	<u>6,631,503</u>
	<u><u>\$ 8,504,014</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Note payable	\$ 500,000
Accounts payable and other current liabilities	191,973
Salaries payable	396,634
Current portion of long term debt	<u>269,436</u>
Total current liabilities	1,358,043
Noncurrent liabilities:	
Noncurrent portion of long-term debt and liabilities	<u>6,183,379</u>
Total liabilities	<u>7,541,422</u>
Net Assets:	
Invested in capital assets, net of related debt	339,584
Unrestricted	<u>623,008</u>
Total Net Assets	<u>962,592</u>
	<u><u>\$ 8,504,014</u></u>

See notes to financial statements.

**BRIMLEY AREA SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (expenses) And changes in Net assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction:					
Basic programs	\$ 2,503,574	\$	\$ 949,868	\$	\$ (1,553,706)
Added needs	603,672		77,906		(525,766)
Compensatory education	321,980		291,434		(30,546)
	<u>3,429,226</u>		<u>1,319,208</u>		<u>(2,110,018)</u>
Supporting services:					
Pupil	47,143		9,234		(37,909)
Instructional staff	497				(497)
General administration	292,341				(292,341)
School administration	308,274				(308,274)
Business	147,049				(147,049)
Operation and maintenance	469,345				(469,345)
Pupil transportation services	321,024	12,478			(308,546)
Food service	228,369	88,208	106,166		(33,995)
Athletic activities	99,235	34,750			(64,485)
	<u>1,913,277</u>	<u>135,436</u>	<u>115,400</u>		<u>(1,662,441)</u>
Other activities:					
Interest on long term debt	331,767				(331,767)
Total governmental activities	<u>\$ 5,674,270</u>	<u>\$ 135,436</u>	<u>\$ 1,434,608</u>	<u>\$</u>	<u>(4,104,226)</u>
General revenues:					
Property taxes, levied for general purposes					886,524
Property taxes, levies for debt services					692,297
Unrestricted state aid					2,795,080
Interest and investment earnings					<u>84,510</u>
Total General revenues					<u>4,458,411</u>
CHANGES IN NET ASSETS					354,185
Net assets – beginning of year					<u>608,407</u>
Net assets – end of year					<u>\$ 962,592</u>

See notes to financial statements.

**BRIMLEY AREA SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>2005 Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,058,918	\$ 136,374	\$ 43,241	\$ 1,238,533
Receivables:				
Accounts	14,454		6,785	21,239
Interest	1,112			1,112
Due from other funds			7,054	7,054
Due from other governmental units	607,518		1,559	609,077
Prepaid expenses				
Inventory			2,550	2,550
	<u>\$ 1,682,002</u>	<u>\$ 136,374</u>	<u>\$ 61,189</u>	<u>\$ 1,879,565</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Note payable	\$ 500,000	\$	\$	\$ 500,000
Accounts payable and accrued expenses	140,997		3,688	144,685
Due to other funds	7,054			7,054
Salaries payable	382,990		13,644	396,634
Total liabilities	<u>1,031,041</u>		<u>17,332</u>	<u>1,048,373</u>
Fund balances:				
Reserved for:				
Debt retirement		136,374	37,979	174,353
Unreserved:				
Undesignated	650,961		5,878	656,839
Total fund balances	<u>650,961</u>	<u>136,374</u>	<u>43,857</u>	<u>831,192</u>
	<u>\$ 1,682,002</u>	<u>\$ 136,374</u>	<u>\$ 61,189</u>	<u>\$ 1,879,565</u>

See notes to financial statements.

BRIMLEY AREA SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 831,192
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	The cost of capital assets is \$ 8,761,593	
	Accumulated depreciation is <u>(2,130,090)</u>	6,631,503

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

	Bonds Payable 6,835,118	
	Bond discount and issuance cost (102,344)	
	Deferred charge on refunding (440,855)	
	Accrued interest payable 47,288	
	Early Retirement Incentives 131,014	
	Compensated absences (vacations) <u>29,882</u>	<u>(6,500,103)</u>

Total net assets - governmental activities	<u>\$ 962,592</u>
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See notes to financial statements.

BRIMLEY AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	2005 Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 886,524	\$ 362,685	\$ 329,612	\$ 1,578,821
Other local sources	94,798	368	124,780	219,946
State sources	2,871,664		12,627	2,884,291
Federal sources	1,232,953		106,165	1,339,118
Other sources	6,279			6,279
	<u>5,092,218</u>	<u>363,053</u>	<u>573,184</u>	<u>6,028,455</u>
Total revenues				
Instruction:				
Basic instruction	2,435,654			2,435,654
Added needs	603,672			603,672
Compensatory education	321,980			321,980
Total Instruction	<u>3,361,306</u>			<u>3,361,306</u>
Support Services:				
Pupil services	47,143			47,143
Instructional staff	497			497
General Administration	278,603			278,603
School Administration	293,787			293,787
Business	140,139			140,139
Operations and Maintenance	455,199			455,199
Transportation	305,938			305,938
Capital outlay			9,045	9,045
Food service			217,637	217,637
Athletic activities			99,235	99,235
Debt principal payments		108,336	267,294	375,630
Debt interest and other charges		239,556	54,585	294,141
Total support services	<u>1,521,306</u>	<u>347,892</u>	<u>647,796</u>	<u>2,516,994</u>
Total expenditures	<u>4,882,612</u>	<u>347,892</u>	<u>647,796</u>	<u>5,878,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>209,606</u>	<u>15,161</u>	<u>(74,612)</u>	<u>150,155</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in			75,122	75,122
Operating transfers out	(75,122)			(75,122)
Total other financing sources (uses)	<u>(75,122)</u>		<u>75,122</u>	
NET CHANGES IN FUND BALANCES	134,484	15,161	510	150,155
FUND BALANCE - beginning of year	<u>516,477</u>	<u>121,213</u>	<u>43,347</u>	<u>681,037</u>
FUND BALANCE - End of year	<u>\$ 650,961</u>	<u>\$ 136,374</u>	<u>\$ 43,857</u>	<u>\$ 831,192</u>

See notes to financial statements.

BRIMLEY AREA SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	\$	150,155
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlays in the period.		(189,903)
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Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

1,644

In the statement of activities, certain compensated absences (vacations) and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Decrease in Early retirement incentive (net)		48,046
Compensated absences (vacations)		(1,162)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of principle & accrued interest		375,630
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The issuance of long-term debt provides current financial resources to governmental funds, But does not have any effect on the net assets. Also, governmental funds report the effect of Issuance costs, discounts and similar items when debt is first issued, whereas these amounts Are deferred and amortized in the statement of activities. The adjustment to the statement Of activities is as follows:

Amortization of bond issue cost and discount	(4,760)	
Deferred charge on refunding	<u>(20,505)</u>	(25,265)

An amount of \$4,960 for interest costs were accreted to the district's SBLF liability. This is a long-term debt that is not included as an expenditure in the governmental funds. It is treated as an expense in the statement of activities.

(4,960)

Change in net assets of governmental activities.	\$	<u>354,185</u>
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See notes to financial statements.

**BRIMLEY AREA SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	<u>\$ 71,000</u>	<u>\$ 68,672</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	<u>\$ 71,000</u>	<u>\$ 68,672</u>

See notes to financial statements.

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Brimley Area Schools (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of Brimley Area Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the school district. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *2005 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September 2007.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 C-3– Accounting for Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

1. Cash and investments

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund (non-homestead)	18.000
Debt service funds (homestead & non-homestead)	7.560

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets, which include property, plant, equipment are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

6. Compensated Absences

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

7. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings are received for amounts paid by the State through June 30 are accrued.

BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute “available spendable resources.” The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$655,941 and the bank balance was \$730,455 of which \$100,000 was covered by federal depository insurance and \$630,455 was uninsured and uncollateralized. The District has \$329 in petty cash on hand.

Investments

The District had the following investments in external investment pools as of June 30, 2008:

MILAF (mutual fund, cost = market)	\$ 653,263
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Interest Rate Risk – The district will monitor interest rate risk by using and analyzing, segmented time distribution, specific identification and time duration of investments.

Credit Risk - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2008, that district's investment in the MILAF pool was rated AAAM by Standard and Poor's.

Concentration of Credit Risk – The district may invest 100% of available reserves with U.S. Treasury securities completely guaranteed by the Treasury.

A reconciliation of cash as shown on the combined balance sheet follows:

Cash on hand	\$ 329
Carrying amount of deposits	655,941
Investments	<u>653,263</u>
Total	<u>\$ 1,309,533</u>
 Cash and cash equivalents:	
Governmental activities	\$ 1,238,533
Fiduciary funds	<u>71,000</u>
Total	<u>\$ 1,309,533</u>

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2008 consist of the following:

Governmental units	\$ 609,077
Other	<u>22,351</u>
	<u><u>\$ 631,428</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 – LONG-TERM DEBT

At June 30, 2008, a total of \$5,370,000 of bonds outstanding are considered defeased. General obligation debts and other long-term obligations currently outstanding are as follows:

\$1,350,000 1998 refunding bonds payable in annual installments of \$20,000 to \$115,000 through May 1, 2016; interest at 4.15% to 4.8%	\$ 830,000
\$6,295,000 1999 serial bonds payable in annual installments of \$105,000 to \$110,000 through May 1, 2009; interest at 5.125% to 5.8% Partially refunded by the 2007 refunding bonds payable	110,000
\$5,915,000 2005 refunding bonds payable in annual installments of \$40,000 to \$390,000 through May 1, 2029; interest at 2.5% to 4.6%	5,795,000
Limited obligation Durant bonds payable in annual installments of \$7,476 to \$15,312 through May 2013, interest at 4.76%	<u>100,118</u>
Total bonded debt	6,835,118
Early retirement incentive	131,014
Termination benefits	<u>29,882</u>
	<u><u>\$ 6,996,014</u></u>

BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT (concluded)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2008 including interest of \$3,419,560 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 269,436	\$ 285,204	\$ 554,640
2010	279,885	273,005	552,890
2011	290,356	262,785	553,141
2012	349,076	271,770	620,846
2013	316,365	239,971	556,336
2014-2018	1,500,000	1,012,748	2,512,748
2019-2023	1,595,000	711,112	2,306,112
2024-2028	1,845,000	345,025	2,190,025
2029	390,000	17,940	407,940
	6,835,118	3,419,560	10,254,678
Early Retirement Incentives	131,014		131,014
Termination benefits	29,882		29,882
	<u>\$ 6,996,014</u>	<u>\$ 3,419,560</u>	<u>\$ 10,415,574</u>

At June 30, 2008, net assets of \$174,353 are available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 6,980,000	\$	\$ 245,000	\$ 6,735,000	\$ 260,000
Limited obligation bonds	100,118			100,118	9,436
Less deferred amounts:					
For issuance	(107,104)		(4,760)	(102,344)	
On refunding	(461,360)		(20,505)	(440,855)	
Total bonds payable	6,511,654		219,735	6,291,919	269,436
Other liabilities:					
School bond loan fund	125,670	4,960	130,630		
Early retirement incentive	179,060	6,579	54,625	131,014	
Termination benefits	28,720	1,162		29,882	
Total long-term liabilities	<u>\$ 6,845,104</u>	<u>\$ 12,701</u>	<u>\$ 404,990</u>	<u>\$ 6,452,815</u>	<u>\$ 269,436</u>

BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 62,372	\$	\$	\$ 62,372
Capital assets, being depreciated				
Buildings	\$ 8,019,358	\$ 5,300	\$	\$ 8,024,658
Equipment and technology	188,826	8,300		197,126
Vehicles	543,676		66,239	477,437
Total historical cost	<u>\$ 8,751,860</u>	<u>\$ 13,600</u>	<u>\$ 66,239</u>	<u>\$ 8,699,221</u>
Less accumulated depreciation:				
Buildings	\$ 1,419,537	\$ 159,611	\$	\$ 1,579,148
Equipment and technology	96,154	23,186		119,340
Vehicles	477,135	20,706	66,239	431,602
Total accumulated depreciation	<u>\$ 1,992,826</u>	<u>\$ 203,503</u>	<u>\$ 66,239</u>	<u>\$ 2,130,090</u>
Governmental activities capital assets, net	<u>\$ 6,821,406</u>			<u>\$ 6,631,503</u>

Depreciation expense was charged to governmental functions as follows:

Basic programs	\$ 120,104
General administration	13,738
School administration	14,487
Business office	6,910
Operations and maintenance	22,446
Transportation	15,086
Food service	10,732
	<u>\$ 203,503</u>

BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Amounts due to and from other funds for the Districts governmental fund types at June 30, 2008 are as follows:

Receivable fund	Payable fund	Amount
Food Service	General fund	\$ 5,330
Athletics	General fund	1,724
		<u>\$ 7,054</u>

Interfund transfers for the year ended June 30, 2008 were as follows:

Fund Transferred Out	Fund Transferred In	Amount
General fund	Food Service fund	\$ 10,637
General fund	Athletic Activities	64,485
		<u>\$ 75,122</u>

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan Description – The District contributes to the statewide Michigan Public School Employees’ Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN - continued

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 16.72%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$443,683, \$485,505, and \$453,375 respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits – Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During the year it was noted that certain transfers from the General fund to the Food Service and Athletics funds were not properly recognized in the prior period. The effect of this adjustment is to increase the beginning fund balance in the Food Service and Athletics funds by \$3,235 and \$2,310, respectively. This adjustment decreases the General Fund beginning fund balance by \$5,545.

**BRIMLEY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Food Service fund – This fund accounts for the Districts school lunch program.

Athletic Activities fund – This fund accounts for the Athletic activities of the District.

Debt service funds account for the receipt of tax revenues to repay the principle and interest of outstanding debt issues.

The *1998, 1999 and Durant debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to purchase equipment and other long-term fixed assets within the district.

REQUIRED SUPPLEMENTARY INFORMATION

BRIMLEY AREA SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
Local sources	\$ 972,315	\$ 977,785	\$ 981,322	\$ 3,537
State sources	2,793,741	2,855,553	2,871,664	16,111
Federal sources	931,365	1,199,015	1,232,953	33,938
Other sources		6,300	6,279	(21)
Total revenues	4,697,421	5,038,653	5,092,218	53,565
EXPENDITURES:				
Instruction:				
Basic instruction	2,427,038	2,459,052	2,435,654	23,398
Added needs	597,412	615,617	603,672	11,945
Compensatory education	309,009	320,717	321,980	(1,263)
Total Instruction	3,333,459	3,395,386	3,361,306	34,080
Support Services:				
Pupil services	37,192	48,930	47,143	1,787
Instructional staff	3,500	600	497	103
General Administration	293,605	288,905	278,603	10,302
School Administration	295,690	294,940	293,787	1,153
Business	137,530	147,010	140,139	6,871
Operations and Maintenance	429,300	466,230	455,199	11,031
Transportation	297,705	321,180	305,938	15,242
Total support services	1,494,522	1,567,795	1,521,306	46,489
Total expenditures	4,827,981	4,963,181	4,882,612	80,569
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(130,560)	75,472	209,606	134,134
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(109,725)	(91,607)	(75,122)	16,485
NET CHANGES IN FUND BALANCES	<u>\$ (240,285)</u>	<u>\$ (16,135)</u>	134,484	<u>\$ 150,619</u>
FUND BALANCES:				
Beginning of year			516,477	
End of year			<u>\$ 650,961</u>	

BRIMLEY AREA SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY COMPARISON SCHEDULES

Brimley Area Schools is not legally required to present budgetary information for debt service funds. Accordingly, the budgetary comparison schedule for the 2005 Debt Service fund is not required.

ADDITIONAL INFORMATION

**BRIMLEY AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds			Debt Service Funds				Capital Projects	Nonmajor Governmental Funds
	Food Service	Athletic Activities	Total	1998 Debt Service	1999 Debt Service	Durant Debt Service	Total		
ASSETS									
Cash and cash equivalents	\$ 29	\$	\$ 29	\$ 27,885	\$ 10,094	\$	\$ 37,979	\$ 5,233	\$ 43,241
Receivables:									
Accounts/Taxes	6,374	411	6,785						6,785
Due from other funds	5,330	1,724	7,054						7,054
Due from other governmental units	1,559		1,559						1,559
Inventory	2,550		2,550						2,550
Prepaid Expenses									
	<u>\$ 15,842</u>	<u>\$ 2,135</u>	<u>\$ 17,977</u>	<u>\$ 27,885</u>	<u>\$ 10,094</u>	<u>\$</u>	<u>\$ 37,979</u>	<u>\$ 5,233</u>	<u>\$ 61,189</u>
 Liabilities:									
Accounts payable and accrued expenses	\$ 3,231	\$ 457	\$ 3,688	\$	\$	\$	\$	\$	\$ 3,688
Checks written in excess of deposits									
Due to other funds									
Salaries payable	<u>11,966</u>	<u>1,678</u>	<u>13,644</u>						<u>13,644</u>
Total liabilities	<u>15,197</u>	<u>2,135</u>	<u>17,332</u>						<u>17,332</u>
 Fund balances:									
Designated - debt service				27,885	10,094		37,979		37,979
Undesignated	<u>645</u>		<u>645</u>					<u>5,233</u>	<u>5,878</u>
Total fund balances	<u>645</u>		<u>645</u>	<u>27,885</u>	<u>10,094</u>		<u>37,979</u>	<u>5,233</u>	<u>43,857</u>
	<u>\$ 15,842</u>	<u>\$ 2,135</u>	<u>\$ 17,977</u>	<u>\$ 27,885</u>	<u>\$ 10,094</u>	<u>\$</u>	<u>\$ 37,979</u>	<u>\$ 5,233</u>	<u>\$ 61,189</u>

BRIMLEY AREA SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Debt Service Funds					Nonmajor Governmental Funds
	Food Service	Athletic Activities	Total	1998 Debt Service	1999 Debt Service	Durant Debt Service	Total	Capital Projects	
REVENUES:									
Local sources:									
Property taxes	\$	\$	\$	\$ 182,147	\$ 147,465	\$	\$ 329,612	\$	\$ 329,612
Lunch and milk sales	88,208		88,208						88,208
Admission and other		34,750	34,750					500	35,250
Interest				557	366		923	399	1,322
State sources	12,627		12,627						12,627
Federal sources	93,113		93,113						93,113
USDA donated commodities	13,052		13,052						13,052
Total revenues	207,000	34,750	241,750	182,704	147,831		330,535	899	573,184
EXPENDITURES:									
Food service	217,637		217,637						217,637
Athletic activities		99,235	99,235						99,235
Debt service:									
Principle				134,280	133,014		267,294		267,294
Interest and other				43,132	11,453		54,585	9,045	63,630
Total expenditures	217,637	99,235	316,872	177,412	144,467		321,879	9,045	647,796
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,637)	(64,485)	(75,122)	5,292	3,364		8,656	(8,146)	(74,612)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	10,637	64,485	75,122						75,122
Operating transfers out									
Total other financing sources (uses)	10,637	64,485	75,122						75,122
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)				5,292	3,364	-	8,656	(8,146)	510
FUND BALANCES, beginning of year	645		645	22,593	6,730		29,323	13,379	43,347
FUND BALANCES, end of year	\$ 645	\$	\$ 645	\$ 27,885	\$ 10,094	\$	\$ 37,979	\$ 5,233	\$ 43,857

**BRIMLEY AREA SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	Amended Budget	Actual	Variance - favorable (unfavorable)
REVENUES:			
Local sources:			
Property taxes	\$ 887,000	\$ 886,524	\$ (476)
Interest	35,000	32,543	(2,457)
Other local revenue	55,785	62,255	6,470
	<u>977,785</u>	<u>981,322</u>	<u>3,537</u>
Total revenue from local sources	<u>977,785</u>	<u>981,322</u>	<u>3,537</u>
State sources	<u>2,855,553</u>	<u>2,871,664</u>	<u>16,111</u>
Federal sources:			
Impact Aid	830,000	878,854	48,854
ECIA Title I	98,461	98,461	
Indian education	69,399	54,483	(14,916)
IDEA	77,907	77,906	(1)
National forest	64,735	64,736	1
Class size reduction	36,878	36,878	
Freedom to learn			
Other grants	21,635	21,635	
	<u>1,199,015</u>	<u>1,232,953</u>	<u>33,938</u>
Total revenue from federal sources	<u>1,199,015</u>	<u>1,232,953</u>	<u>33,938</u>
Incoming transfers and other transactions			
Other	6,300	6,279	(21)
	<u>6,300</u>	<u>6,279</u>	<u>(21)</u>
TOTAL REVENUES	<u>\$ 5,038,653</u>	<u>\$ 5,092,218</u>	<u>\$ 53,565</u>

**BRIMLEY AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (unfavorable)</u>
EXPENDITURES:			
Instruction:			
Basis programs:			
Elementary	\$ 1,169,770	\$ 1,156,238	\$ 13,532
Middle school	508,300	502,404	5,896
High schools	692,795	689,474	3,321
Other	88,187	87,538	649
Added needs:			
Special education	537,710	525,765	11,945
IDEA	77,907	77,907	
Compensatory education:			
Title I	97,231	98,461	(1,230)
At risk programs	89,211	89,211	
Indian education	54,321	54,483	(162)
Other programs	79,954	79,825	129
Total instruction	<u>3,395,386</u>	<u>3,361,306</u>	<u>34,080</u>
Supporting services:			
Pupil:			
Guidance services	20,806	20,552	254
Nurse	28,124	26,591	1,533
Instructional staff:			
Library	600	497	103
General administration:			
Board of education	91,300	85,471	5,829
Executive administration	64,745	64,109	636
Technical administration	132,860	129,023	3,837
School administration:			
Office of the principal	294,940	293,787	1,153

**BRIMLEY AREA SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	Amended Budget	Actual	Variance - Favorable (unfavorable)
EXPENDITURES (Concluded):			
Supporting services (concluded):			
Business:			
Fiscal services	147,010	140,139	6,871
Operation and maintenance of plant	466,230	455,199	11,031
Pupil transportation services	321,180	305,938	15,242
Total supporting services	1,567,795	1,521,306	46,489
TOTAL EXPENDITURES	4,963,181	4,882,612	80,569
OTHER FINANCING USES:			
Transfer to the athletic fund	71,010	64,485	6,525
Transfer to school service fund	20,597	10,637	9,960
Total other financing uses	91,607	75,122	16,485
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 5,054,788	\$ 4,957,734	\$ 97,054

**BRIMLEY AREA SCHOOLS
TRUST AND AGENCY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

	Balance 07/01/07	Additions	Deletions	Balance 06/30/08
Elementary student council	\$ 5,826	\$ 5,853	\$ 6,055	\$ 5,624
Heart fund	71	2		73
R.I.F. Account	524	1,052	891	685
Elementary Fundraiser	1,269	21,956	20,578	2,647
Elementary Book Fair	2,204	4,556	3,039	3,721
Elementary Sound System		2,518	2,500	18
Reading Committee		401	314	87
School Health Coordinator		783	150	633
Activity-school service	1,667	595	2,056	206
Annual	(2,163)	7,664	6,220	(719)
Athletics	325	9		334
Band	1,373	4,465	4,616	1,222
Baseball Fundraiser	90	1	376	(285)
Boys Basketball	1,718	5,856	4,230	3,344
Cheerleaders	379	1,938	2,084	233
Quiz Bowl	124	41	164	1
Softball	1,070	427	793	704
Class of 2006	532	1	71	462
Class of 2007	740	21	398	363
Class of 2008	13,998	27,542	41,393	147
Class of 2009	3,373	26,895	10,933	19,335
Class of 2010	6,842	490	4,770	2,562
Football Fundraiser	2,649	1,607	1,848	2,408
Girls Basketball Fundraiser	948	2,548	2,666	830
Golf	668	532	251	949
Volleyball	42	3,540	3,576	6
High school student council	299	2,017	1,748	568
Key Club	143	182	105	220
Historical	87	3		90
Library fund	3,507	209		3,716
Middle school student council		1,381	1,199	182
National Honor Society	394	413	380	427
SADD	259	7		266
Changing Lives	1,319	86		1,405
Art Club		658		658
Parent Teacher Organization	3,385	2,419	2,841	2,963
Track Fundraiser	4	4,202	3,124	1,082
Donations	2,059	59		2,118
Brimley High School Memorial Fund	1,104	32		1,136
Gordon Newland Scholarship	775	16	250	541
Matthew Brunk Memorial Scholarship	440	12	50	402
Brimley Education Foundation	444	483	470	457
Karl Parker Scholarship	4,012	109	500	3,621
Lions Club Scholarship	1,944	34	1,000	978
Coca-Cola Scholarship	1,427	41		1,468
D. Wilson Scholarship	514	9	250	273
A. Tremblay Scholarship	1,329	532	500	1,361
Robert Parrish Memorial Fund	455	13		468
National Office Products Scholarship	502	5	500	7
Aaron Cameron Scholarship		1,003		1,003
Total	\$ 68,671	\$ 135,218	\$ 132,889	\$ 71,000

**BRIMLEY AREA SCHOOLS
TRUST & AGENCY
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
YEAR ENDED JUNE 30, 2008**

	Balances, beginning of year	Receipts	Disbursements	Balances, End of year
ASSETS				
Cash and equivalents	<u>\$ 68,671</u>	<u>\$ 135,220</u>	<u>\$ 132,891</u>	<u>\$ 71,000</u>
LIABILITIES				
Due to organizations and class funds	<u>\$ 68,671</u>	<u>\$ 135,220</u>	<u>\$ 132,891</u>	<u>\$ 71,000</u>

BRIMLEY AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1998 DEBT
JUNE 30, 2008

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	4.40%	\$ 105,000	\$ 38,250	\$ 143,250
2010	4.50%	110,000	33,630	143,630
2011	4.55%	115,000	28,680	143,680
2012	4.60%	115,000	23,447	138,447
2013	4.65%	110,000	18,158	128,158
2014-2016	Various	<u>275,000</u>	<u>24,270</u>	<u>299,270</u>
		<u>\$ 830,000</u>	<u>\$ 166,435</u>	<u>\$ 996,435</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – March 1, 1998 \$1,350,000

Purpose – Partially refund the 1990 bonds

BRIMLEY AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – DURANT DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009		\$ 9,436	\$ 2,471	\$ 11,907
2010		9,885	2,021	11,906
2011		10,356	1,551	11,907
2012		59,076	20,925	80,001
2013		<u>11,365</u>	<u>541</u>	<u>11,906</u>
		<u>\$ 100,118</u>	<u>\$ 27,509</u>	<u>\$ 127,627</u>

Principal payments due on fifteenth day of May

Interest payments due on the fifteenth day of May

Original issue – 1999 \$169,558

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the “State Aid Payments”). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority’s Depository.

BRIMLEY AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1999 DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30: 2009	5.125%	\$ 110,000	\$ 5,775	\$ 115,775
		<u>\$ 110,000</u>	<u>\$ 5,775</u>	<u>\$ 115,575</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – November 1, 1999 \$6,295,000

Purpose

- Erecting, furnishing and equipping an addition to, and partially remodeling, furnishing and refurnishing, equipping and re-equipping Brimley Area School;
- Acquiring, installing and equipping Brimley Area School for technology; and
- Constructing and equipping a new playground, constructing and improving athletic facilities and developing and improving the site.

Bond partially refunded by the 2007 bond issue.

BRIMLEY AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2005 DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:				
2009	3.01%	\$ 45,000	\$ 238,708	\$ 283,708
2010	3.00%	160,000	237,354	397,354
2011	3.13%	165,000	232,554	397,554
2012	3.50%	175,000	227,398	402,398
2013	3.50%	195,000	221,272	416,272
2014-2018	Various	1,225,000	988,478	2,213,478
2019-2023	Various	1,595,000	711,112	2,306,112
2024-2028	Various	1,845,000	345,025	2,190,025
2029	Various	390,000	17,940	407,940
		<u>\$ 5,795,000</u>	<u>\$ 3,219,841</u>	<u>\$ 9,014,841</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – January 20, 2007 \$5,915,000

Purpose

- Partially refund the 1999 bond issue.